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DRAFT
FAA STAFF QUESTIONS ON THE NEW ORLEANS LAKEFRONT AIRPORT

FAA notes that the applicant has increased its estimate of the required initial capitalization from $750,000 to $840,000. Of this, $525,000 is allocated for working capital including one time up front expenses for all deposits, supply purchases, transition, screening, employee training, licenses and permits. Information provided by applicant indicates projected expenses for the first two years of operation after lease of $2.1 million, annually. (Previously, applicant indicated that 1999 operating expenses net of depreciation and fuel farm expenses were about $2.5 million.) Applicant's projected net operating income shows a loss of almost $100,000 the first year of leased operation. Diminishing the initial working capital allocation of $525,000 for the almost $100,000 first year loss and startup costs suggests that working capital will represent 20 percent of annual operating costs—or at most about 2.5 months of expenses.

FAA also notes that 1999 airport income data net of fuel farm expenses ($3,765,163 - $2,084,412) is about $1.7 million or about $600,000 less than shown for the first year of leased operation of $2,340,274.

Given that working capital represents only about 2.5 months of operating costs under applicant's income projections and would be wiped out in less than one year should current—1999—income flows persist through the lease's first year, why does applicant believe that the proposed working capital is "clearly sufficient" to operate the airport? It would be very helpful if your answer included an analysis of the sources of additional revenue relative to 1999 levels by category over the first three years of the lease. It would also be helpful if you indicated what your plans are should the increase in revenues not materialize as fast as projected and at what points and in what amounts additional working capital might be provided.

12/11/02